

**Le Mars Community School
District**

**INDEPENDENT
AUDITOR'S
REPORT**

JUNE 30, 2009

LE MARS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

**LE MARS COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009
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LE MARS COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2009

Board of Education (Before September 2008 Election)

		Term Expires
Dr. Mark Stelzer	President	2011
Patrick Murphy	Vice President	2011
Cris Collins	Board Member	2009
Marjorie Franke	Board Member	2008
Dr. Leon Scott	Board Member	2009
Brenda Phelan	Board Member	2009
Dan Smith	Board Member	2008

Board of Education (After September 2008 Election)

Dr. Mark Stelzer	President	2011
Patrick Murphy	Vice President	2011
Cris Collins	Board Member	2009
Mark Hemmingson	Board Member	2011
Dr. Leon Scott	Board Member	2009
Brenda Phelan	Board Member	2009
Dan Smith	Board Member	2011

School Officials

Dr. Todd Wendt	Superintendent	2009
Lisa Boehm	District Secretary	2009
Kim Clarey	District Treasurer	2009
Bauerly, Trotzig & Bauerly	Attorney	2009



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Le Mars Community School District

Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Le Mars Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2009, on our consideration of the Le Mars Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 14 and 38 through 39, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Le Mars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams + Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
October 20, 2009

LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS

Le Mars Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

General fund revenues increased from \$16,642,734 in fiscal year 2008 to \$17,372,195 in fiscal year 2009, while General fund expenditures decreased from \$17,456,186 in fiscal 2008 to \$17,449,481 in fiscal 2009. The District's General fund balance decreased from \$1,123,037 in fiscal 2008 to \$1,074,520 in fiscal 2009, a 4.3% decrease.

The increase in general fund revenues was attributable to an increase in state foundation aid, an increase in the educator quality allocations paid to teachers by the state of Iowa, and the first installments of federal stimulus dollars through the American Recovery and Reinvestment Act. Cost reductions associated with decreases in staffing as a result of budget reduction measures approved by the Board of Education during the budget development process were minimized by the increased salary and benefit costs of remaining employees. This fact led to a small decrease in total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Le Mars Community School district as a whole and present an overall view of the District's finances.

The Fund financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Le Mars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and Capital Project Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

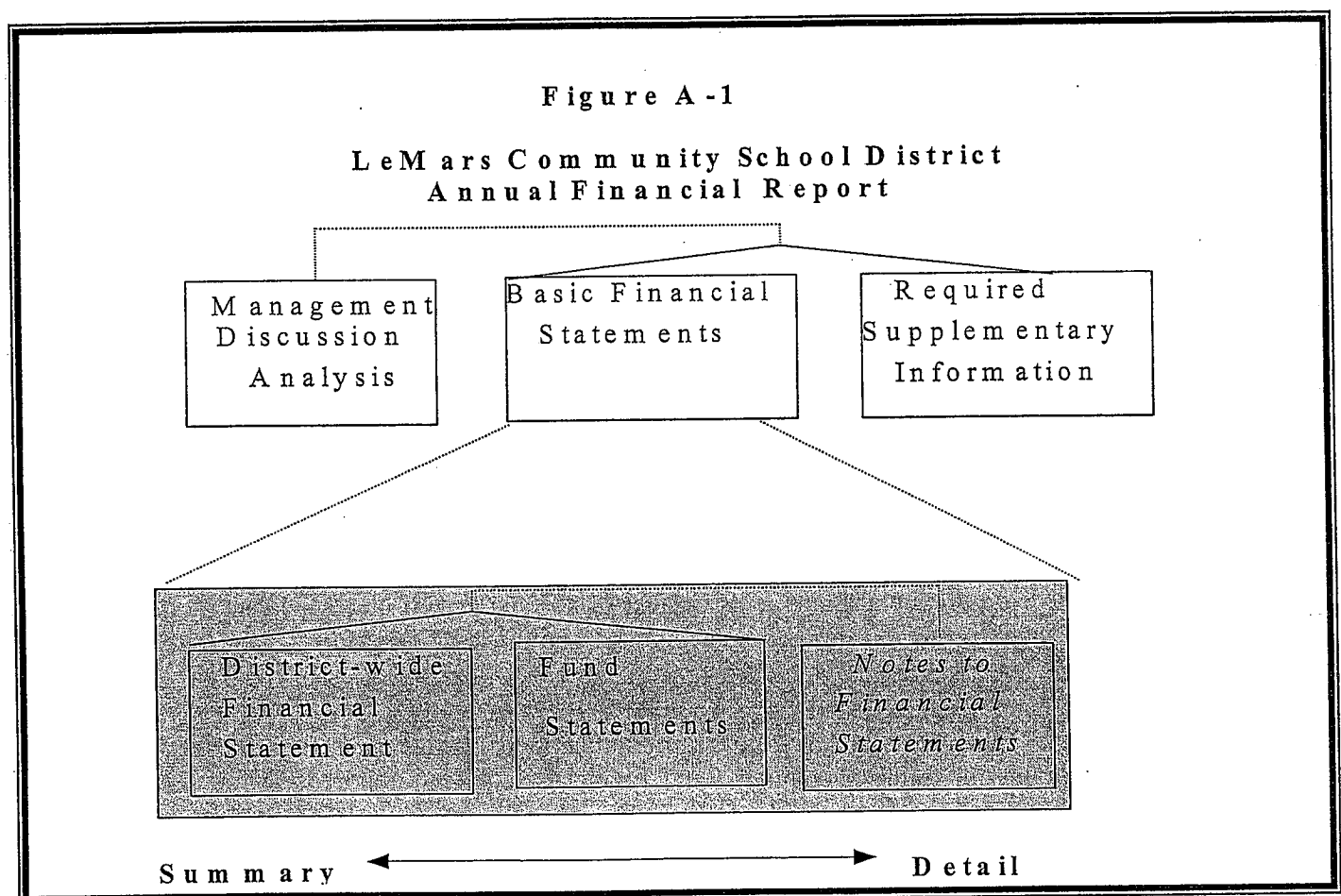


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1.) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2.) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3.) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activity		Total District		Total % Change
	2008	2009	2008	2009	2008	2009	
Current and other assets	\$12,194,194	\$12,633,085	(\$16,909)	(\$15,072)	\$12,177,285	\$12,618,013	3.62%
Capital Assets	11,756,233	12,470,115	30,383	26,758	11,786,616	12,496,873	6.03%
Total assets	\$23,950,427	\$25,103,200	\$13,474	\$11,686	\$23,963,901	\$25,114,886	4.80%
Long-term debt outstanding	1,620,000	1,296,000	--	--	1,620,000	1,296,000	(20.00%)
Other Liabilities	8,957,665	9,339,931	11,284	11,588	8,968,949	9,351,519	4.27%
Total Liabilities	\$10,577,665	\$10,635,931	\$11,284	\$11,588	\$10,588,949	\$10,647,519	.55%
Net Assets							
Invested in capital assets, net of related debt	\$9,646,233	\$10,850,115	\$30,383	\$26,758	\$9,676,616	\$10,876,873	12.40%
Restricted	981,319	987,482	--	--	981,319	987,482	.63%
Unrestricted	2,745,210	2,629,672	(28,193)	(26,660)	2,717,017	2,603,012	(4.2%)
Total net assets	\$13,372,762	\$14,467,269	\$ 2,190	\$ 98	\$13,374,952	\$14,467,367	8.17%

The District's combined net assets increased by 8.17% from \$13,374,952 to \$14,467,367. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$6,000 or .63% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$114,000 or (4.2%) from the prior year.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2009.

Figure A-4							
Changes in Net Assets from Operations							
	Governmental Activities		Business-type Activity		Total District		Total % Change
	2008	2009	2008	2009	2008	2009	
Revenue							
Program Revenues							
Charges for Services	\$1,100,012	\$1,207,009	\$342,079	\$368,850	\$1,442,091	\$1,575,859	9.27%
Operating Grants & Contributions	2,526,891	3,005,220	275,692	308,196	2,802,583	3,313,416	18.23%
Capital Grants & Cont.	11,319	64,847	17,728	--	29,047	64,847	123.25%
General Revenues							
Property & Sales Tax	7,320,099	7,513,526			7,320,099	7,513,526	2.64%
State Aid	8,810,344	8,589,136			8,810,344	8,589,136	-2.51%
Other	211,279	112,744	829	647	212,108	113,391	-46.54%
Transfers	(66,191)	(30,273)	66,191	30,273	--	--	0
TOTAL REVENUES	\$19,913,753	\$20,462,209	\$702,519	\$707,966	\$20,616,272	\$21,170,175	2.69%
Expenses							
Instruction	\$12,931,949	\$13,301,011	\$ --	\$ --	\$12,931,949	\$13,301,011	2.85%
Support Services	5,041,605	4,777,828	731,850	710,058	5,773,455	5,487,886	-4.95%
Debt Services	60,722	80,697			60,722	80,697	32.90%
Facilities/Equip Acquisition	130,724	256,675			130,724	256,675	96.35%
Intergovernmental	785,738	804,981			785,738	804,981	2.45%
TOTAL EXPENSES	\$18,950,738	\$19,221,192	\$731,850	\$710,058	\$19,682,588	\$19,931,250	1.26%
INCREASE(DECREASE)	\$963,015	\$1,241,017	(\$29,331)	(\$2,092)	\$933,684	\$1,238,925	32.69%

Property tax, local option sales tax, and unrestricted state aid accounts for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which accounts for 94% of the total expenses.

Figure A-5
Sources of Revenue for Fiscal Year 2009

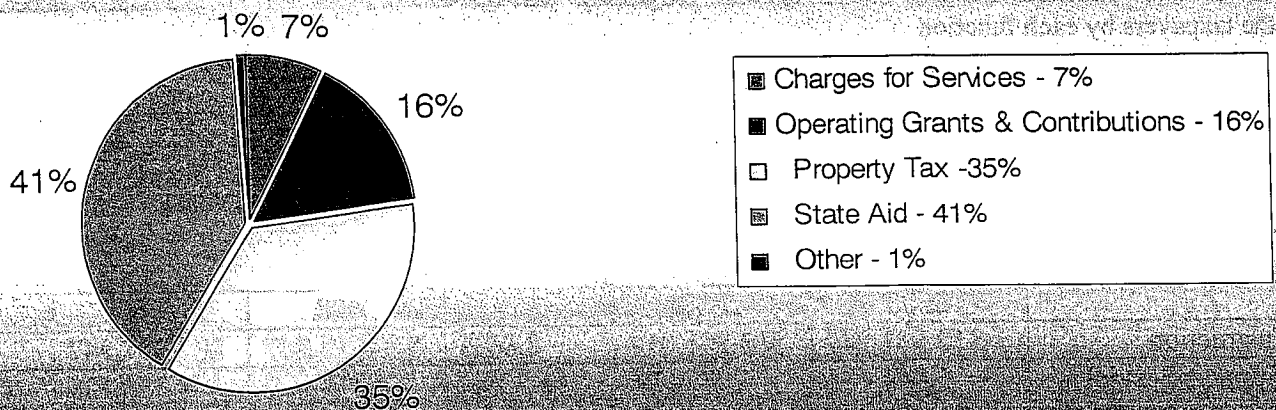
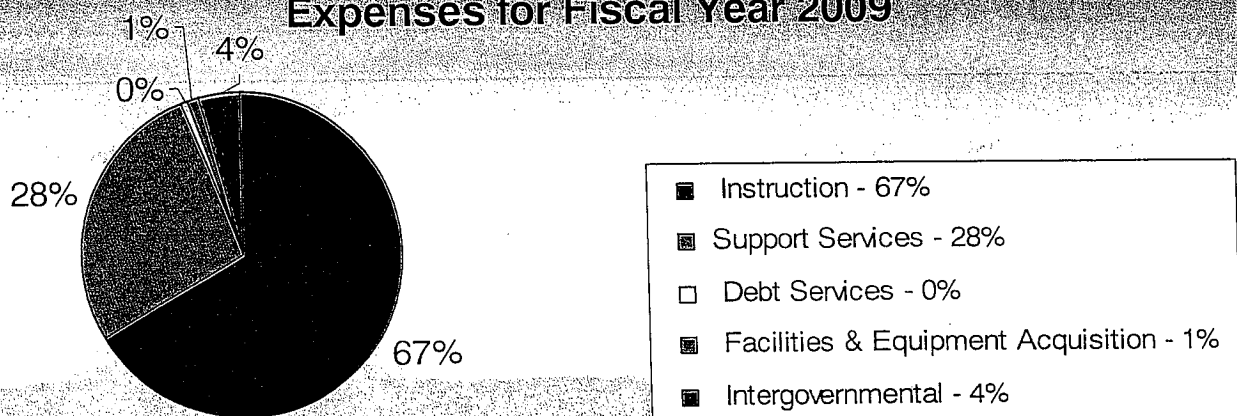


Figure A-6
Expenses for Fiscal Year 2009



Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-7						
Net Cost of Governmental Activities	Total Cost of Services		% Change	Net Cost of Services		% Change
	2008	2009		2008	2009	
Instruction	\$12,931,949	\$13,301,011	2.85%	\$10,402,847	\$10,387,947	(.14%)
Support Services	5,041,605	4,777,828	(5.23%)	4,718,223	4,238,125	(10.18%)
Non-Instructional	--	--	--	--	--	--
Debt Service	60,722	80,697	32.90%	60,722	61,369	1.07%
Other Expend.	130,724	256,675	96.35%	130,724	256,675	96.35%
Intergovernmental	785,738	804,981	2.45%	--	--	--
TOTAL	\$18,950,738	\$19,221,192	1.43%	\$15,312,516	\$14,944,116	(2.41%)

- The cost financed by users of the District's programs was \$1,207,009.
- Federal and state grants subsidized programs with grants totaling \$2,538,210 for 2008 compared to \$3,070,067 for 2009.
- The net cost of governmental activities was financed with \$7,513,526 in property and other taxes and \$8,589,136 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$707,966 and expenses totaled \$710,058 (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Individual Fund Analysis

As previously noted, Le Mars Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,802,864 compared to a fund balance of \$3,641,160 for fiscal 2008.

GOVERNMENTAL FUND HIGHLIGHTS

The small decrease in the District's General Fund financial position was primarily a result of a 1.5% across the board reduction in state aid ordered by the Governor midway through the budget year. Decreases in the District's General Fund financial position would have been significantly higher without the stimulus funds received through the American Recovery and Reinvestment Act.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$469,651 in fiscal 2008 to \$461,648 in fiscal 2009. This decrease is due to payments on the long-term debt.

The Local Option Sales Tax Fund balance increased from \$1,682,795 in fiscal 2008 to \$1,781,954 in fiscal 2009. This increase is due to the capital project costs being less than revenues received.

The Management Fund balance increased from \$103,845 in fiscal 2008 to \$217,995 in fiscal 2009. This increase is due to the increased revenue in fiscal 2009.

The Debt Service Fund balance increased from \$519 in fiscal 2008 to \$532 in fiscal 2009.

PROPRIETARY FUND HIGHLIGHTS

The School Nutrition Fund net assets decreased from \$2,190 at June 30, 2008 to \$98 at June 30, 2009, representing a decrease of 95.53%. The decrease was largely due to the increased cost of food and supplies.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The 2009 budget was amended by the Board of Education in accordance with the Code of Iowa after a required public notice and hearing. During the year, the expenditures did not exceed the amended amounts.

There was some small variance in the District's budget in comparison to actual results. Total actual revenue was 2.5% greater than budgeted, while total actual expenditures were 4.0% less than budgeted. Detail can be found in the supplementary information section of this report as required.

Capital Asset and Debt Administration

Capital Assets

By the end of 2009, the District had invested \$22,021,316 in a broad range of assets, including school infrastructure and equipment. (See Figure A-8) **(More detailed information about capital assets can be found in Note 6 to the financial statements.)** Total depreciation expense for the year equaled \$555,834.

Figure A-8 – Capital Assets						
	Governmental Activities		Business-Type Activity		Total District	
	2008	2009	2008	2009	2008	2009
Land	\$393,275	\$393,275	\$ ---	\$ ---	\$393,275	\$393,275
Const. In Progress	3,067,928	3,368,981	---	---	3,067,928	3,368,981
Buildings	12,686,183	13,504,710	---	---	12,686,183	13,504,710
Equip/Fur./Vehicles	4,615,837	4,691,232	65,958	63,118	4,681,795	4,754,350
Total	\$20,763,223	\$21,958,198	\$65,958	\$63,118	\$20,829,181	\$22,021,316

Long-Term Debt

At year-end, the District had general obligation bonds totaling \$1,620,000. See Figure A-9 below. **(More detailed information about long-term debt can be found in Note 9 to the financial statements.)**

Figure A-9					
Outstanding Long-Term Debt					
Bonds		Notes		Total District	
2008	2009	2008	2009	2008	2009
--	---	\$2,110,000	\$1,620,000	\$2,110,000	\$1,620,000

Factors Bearing on the District's Future

At the time these financial statements were prepared, the district was aware of the following existing circumstances that could affect its financial health in the future:

- An attempt to stabilize the district's negative trending related to the general fund was not successful for a second time when district voters defeated an instructional support levy on September 9, 2008. The Board's attempt for a third time to pass the instructional support levy through board resolution was unsuccessful as over 1,300 signatures on a petition challenging the Board's resolution and forcing a potential third vote was received on February 3, 2009. The Board of Education opted not to pursue a third election on the instructional support levy.
- State revenue projections made by the Revenue Estimating Conference have continued to decline from previous projections causing major budgetary problems at the state level. An across the board cut was ordered by the Governor midway through the 2009 fiscal year. Further across the board cuts during the 2009 fiscal year were avoided by use of one time funding provided by the federal stimulus program.
- Federal stimulus funds available through the American Recovery and Reinvestment act were used by the Governor and state legislature to fund the 2010 budget approved by the legislature in the spring of 2009. Due to the state's economic condition, state funding was not adequate to fund the budget approved. Future across the board reductions in state funding are likely necessary to reflect the declining state revenue projections that continue.
- The use of one time funding available through the American Recovery and Reinvestment Act by the Governor and state legislature has created a "funding cliff" that will occur in 2012 when federal funds through this program will no longer be available to the state of Iowa and local school districts.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dr. Todd Wendt, Superintendent, Le Mars Community School District, 940 Lincoln St. SW, Le Mars, IA 51031.

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business Type Activity	Total	LCSD Foundation
ASSETS				
Cash and Cash Equivalents	\$ 5,074,266		\$ 5,074,266	\$ 113,697
Investments	55,190		55,190	28,750
Receivables:				
Property Tax	113,034		113,034	
Succeeding Year Property Tax	6,801,502		6,801,502	
Accrued Interest			-	726
Accounts	2,052	\$ 28	2,080	
Interfund Activity	30,203	(30,203)	-	
Due from Other Governments	415,223		415,223	
Inventories		13,042	13,042	
Prepaid Expenses	141,615	2,061	143,676	
Land	393,275		393,275	
Construction in Progress	3,368,981		3,368,981	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	8,707,859	26,758	8,734,617	
Total Assets	25,103,200	11,686	25,114,886	143,173
LIABILITIES				
Accounts Payable	199,987		199,987	
Salaries and Benefits Payable	1,795,041		1,795,041	
Accrued Interest Payable	5,265		5,265	
Unearned Revenue	23,136	11,588	34,724	
Deferred Revenue -				
Succeeding Year Property Tax	6,801,502		6,801,502	
Noncurrent Liabilities:				
Due Within One Year:				
Bonds Payable	515,000		515,000	
Due in More Than One Year:				
Bonds Payable	1,105,000		1,105,000	
Net OPEB Liability	191,000		191,000	
Total Liabilities	10,635,931	11,588	10,647,519	-
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	10,850,115	26,758	10,876,873	
Restricted for:				
Catagorical Funding	41,624		41,624	
Management Levy	217,995		217,995	
Physical Plant and Equipment Levy	461,648		461,648	
Other Special Revenue Purposes	266,215		266,215	
Unrestricted	2,629,672	(26,660)	2,603,012	143,173
Total Net Assets	\$ 14,467,269	\$ 98	\$ 14,467,367	\$ 143,173

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 10,224,142	\$ 398,576	\$ 1,178,285	
Special Instruction	2,098,313	77,639	593,511	
Other Instruction	978,556	634,878	30,175	
Support Services:				
Student Services	470,577		11,406	
Instructional Staff Services	796,134		280,719	\$ 64,847
Administration Services	1,484,852			
Operation and Maintenance	1,238,273	67,625		
Transportation Services	787,992	8,963	106,143	
Other Expenditures:				
Facilities Acquisition and Construction Services	256,675			
Long-term Debt Interest	80,697	19,328		
AEA Flowthrough	804,981		804,981	
Total governmental activities	<u>19,221,192</u>	<u>1,207,009</u>	<u>3,005,220</u>	<u>64,847</u>
Business Type Activity:				
Non-instructional Programs:				
Food Service Operations	<u>710,058</u>	<u>368,850</u>	<u>308,196</u>	
Total Primary Government	<u>\$ 19,931,250</u>	<u>\$ 1,575,859</u>	<u>\$ 3,313,416</u>	<u>\$ 64,847</u>
Component Unit:				
LCSD Foundation	<u>\$ 48,713</u>	<u>\$ 1,584</u>	<u>\$ 51,085</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit LCSD Foundation
	Business Type Activity	Total	
\$ (8,647,281)		\$ (8,647,281)	
(1,427,163)		(1,427,163)	
(313,503)		(313,503)	
(459,171)		(459,171)	
(450,568)		(450,568)	
(1,484,852)		(1,484,852)	
(1,170,648)		(1,170,648)	
(672,886)		(672,886)	
(256,675)		(256,675)	
(61,369)		(61,369)	
-		-	
<u>(14,944,116)</u>		<u>(14,944,116)</u>	
	(33,012)	(33,012)	
<u>\$ (14,944,116)</u>	<u>\$ (33,012)</u>	<u>\$ (14,977,128)</u>	
			\$ 3,956
5,511,982	-	5,511,982	
630,600	-	630,600	
1,370,944	-	1,370,944	
8,589,136	-	8,589,136	
70,944	605	71,549	(7,293)
41,800	42	41,842	
(30,273)	30,273	-	
<u>16,185,133</u>	<u>30,920</u>	<u>16,216,053</u>	<u>(7,293)</u>
1,241,017	(2,092)	1,238,925	(3,337)
<u>13,226,252</u>	<u>2,190</u>	<u>13,228,442</u>	<u>146,510</u>
<u>\$ 14,467,269</u>	<u>\$ 98</u>	<u>\$ 14,467,367</u>	<u>\$ 143,173</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Management Levy
Assets		
Cash and Cash Equivalents	\$ 2,551,661	\$ 199,609
Investment		
Receivables:		
Property Tax	100,648	6,082
Succeeding Year Property Tax	5,792,677	330,002
Accounts	2,052	
Due from Other Funds	30,203	
Due from Other Governments	193,009	
Prepaid Expenses	128,785	12,830
Total Assets	<u>8,799,035</u>	<u>548,523</u>
Liabilities and Equity		
Liabilities:		
Accounts Payable	104,433	
Salaries and Benefits Payable	1,795,041	
Unearned Revenue	23,136	
Deferred Revenue:		
Succeeding Year Property Tax	5,792,677	330,002
Other	9,228	526
Total Liabilities	<u>7,724,515</u>	<u>330,528</u>
Fund Balances:		
Reserved for Catagorical Funding	41,624	
Reserved for Debt Service		
Unreserved for:		
General Fund	1,032,896	
Special Revenue Fund		217,995
Capital Project Fund		
Total Fund Balances	<u>1,074,520</u>	<u>217,995</u>
Total Liabilities and Equity	<u>\$ 8,799,035</u>	<u>\$ 548,523</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Nonmajor Fund Activity Fund	Total Governmental Funds
\$ 484,076	\$ 1,627,363	\$ 532	\$ 211,025 55,190	\$ 5,074,266 55,190
6,304				113,034
678,823				6,801,502
				2,052
				30,203
	222,214			415,223
				141,615
1,169,203	1,849,577	532	266,215	12,633,085
27,931	67,623			199,987
				1,795,041
				23,136
678,823				6,801,502
801				10,555
707,555	67,623	-	-	8,830,221
				41,624
		532		532
				1,032,896
461,648			266,215	945,858
	1,781,954			1,781,954
461,648	1,781,954	532	266,215	3,802,864
\$ 1,169,203	\$ 1,849,577	\$ 532	\$ 266,215	

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Deferred revenues from the balance sheet that provide current financial resources for governmental activities.

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(1,620,000)
OPEB Liability	(191,000)
Interest Payable from the balance sheet that require current financial resources for governmental activities.	(5,265)
Net Assets of Governmental Activities	\$ 14,467,269

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General	Management Fund
Revenue:		
Local Sources:		
Local Tax	\$ 5,179,096	\$ 329,143
Tuition	364,507	
Other	239,236	38,473
State Sources	10,830,511	
Federal Sources	758,845	
Total Revenue	<u>17,372,195</u>	<u>367,616</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	9,552,226	194,834
Special Instruction	2,084,682	
Other Instruction	402,756	
Support Services:		
Student Services	483,120	
Instructional Staff Services	774,973	
Administration Services	1,491,463	
Operation and Maintenance	1,178,911	48,205
Transportation Services	676,369	10,427
Other Expenditures:		
Facilities Acquisition and Construction		
Long-term Debt:		
Principal		
Interest and Fiscal Charges		
AEA Flowthrough	804,981	
Total Expenditures	<u>17,449,481</u>	<u>253,466</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(77,286)</u>	<u>114,150</u>
Other Financing Sources (Uses):		
Transfers In	28,769	
Transfers Out		
Total Other Financing Sources (Uses)	<u>28,769</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(48,517)	114,150
Fund Balances - Beginning of Year	1,123,037	103,845
Fund Balances - End of Year	<u>\$ 1,074,520</u>	<u>\$ 217,995</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Nonmajor Fund Activity Fund	Total Governmental Funds
\$ 630,600	\$ 1,370,944			\$ 7,509,783
				364,507
19,328	28,303	\$ 13	\$ 634,893	960,246
				10,830,511
				758,845
649,928	1,399,247	13	634,893	20,423,892
				9,747,060
				2,084,682
			570,949	973,705
				483,120
				774,973
				1,491,463
				1,227,116
				686,796
85,641	1,300,088			1,385,729
		490,000		490,000
		82,290		82,290
				804,981
85,641	1,300,088	572,290	570,949	20,231,915
564,287	99,159	(572,277)	63,944	191,977
		572,290		601,059
(572,290)			(59,042)	(631,332)
(572,290)	-	572,290	(59,042)	(30,273)
(8,003)	99,159	13	4,902	161,704
469,651	1,682,795	519	261,313	3,641,160
\$ 461,648	\$ 1,781,954	\$ 532	\$ 266,215	\$ 3,802,864

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$ 161,704
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,270,300	
Depreciation expense	(554,345)	715,955

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(2,073)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	3,743
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	61,095	
Other postemployment benefits	(191,000)	(129,905)

Accrued interest expense not reported on the modified accrual basis.	1,593
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Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year payments exceeded issuances, as follows:

Principal paid	490,000
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Change in net assets of governmental activities (page 17)	\$1,241,017
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See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009**

	School Nutrition Fund
ASSETS	
Current Assets:	
Accounts Receivable	\$ 28
Inventories	13,042
Prepaid Expenses	2,061
Total Current Assets	<u>15,131</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	26,758
Total Noncurrent Assets	<u>26,758</u>
Total Assets	<u>41,889</u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	30,203
Unearned Revenue	11,588
Total Current Liabilities	<u>41,791</u>
Total Liabilities	<u>41,791</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	26,758
Unrestricted	(26,660)
Total Net Assets	<u>\$ 98</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	School Nutrition Fund
Operating Revenues:	
Charges for services	\$ 368,850
Miscellaneous	42
Total Operating Revenue	<u>368,892</u>
Operating Expenditures:	
Food Service Operations:	
Salaries	253,873
Benefits	68,716
Purchased Services	15,066
Supplies	368,778
Depreciation	2,489
Loss on Disposal of Capital Assets	<u>1,136</u>
Total Operating Expenditures	<u>710,058</u>
Operating Loss	<u>(341,166)</u>
Non-Operating Revenues (Expenditures):	
Interest Income	605
State Lunch Reimbursements	9,717
National School Lunch Program	244,250
Federal Food Commodities Received	<u>54,229</u>
Total Non-Operating Revenues	<u>308,801</u>
Loss Before Contributions and Transfers	(32,365)
Other Financing Sources:	
Transfers from other Funds	<u>30,273</u>
Total Other Financing Sources	<u>30,273</u>
Change in net assets	(2,092)
Net Assets-beginning	<u>2,190</u>
Net Assets-ending	<u><u>\$ 98</u></u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 369,389
Cash received from miscellaneous operating activities	42
Cash payments for salaries and benefits	(322,589)
Cash payments for goods and services	(333,232)
Total cash (used) by operating activities	<u>(286,390)</u>
Cash flows from noncapital financing activities:	
Due to other Funds	1,545
Federal and state appropriations received	253,967
Transfers from other funds	30,273
Total cash provided by noncapital financing activities	<u>285,785</u>
Cash flows from investing activities:	
Interest on investments	<u>605</u>
Net (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning of year	<u>-</u>
Cash and cash equivalents - end of year	<u><u>\$ -</u></u>
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	(341,166)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation Expense	2,489
(Gain) Loss On Sale Of Fixed Assets	1,136
Commodities Used	54,229
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts Receivable	198
Inventory	(1,519)
Prepaid Expenses	(2,061)
Accounts Payable	(37)
Unearned Revenue	341
Net cash (used) in operating activities	<u><u>\$ (286,390)</u></u>
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	<u><u>\$ 54,229</u></u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AGENCY FUND
JUNE 30, 2009

	<u>2009</u>
Cash and Cash Equivalents	<u>\$ 9,161</u>
Total Net Assets	<u>9,161</u>
Liabilities:	
Other Payables	<u>9,161</u>
Net Assets	<u>\$ -</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County and is financially dependent on property taxes of the area and state aid payments for over 80% of its receipts. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Le Mars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a discretely presented component unit for the year ended June 30, 2009. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2008.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Plymouth County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements—Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

The Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects LOST Fund is used to account for the collection of the 1% statewide sales and services tax to be expended for school infrastructure purposes.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Agency Fund is used to account for assets held by the District as an agent for individuals. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting/Measurement Focus

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Cash, Pooled Investments and Cash Equivalents—The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 included certificates of deposit of \$1,585,661 with original maturity dates longer than three months.

Due from Other Governments—Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Property Tax Receivable – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Inventories – Inventory items are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenses—Prepaid expenses include items that the district has recorded expense but not yet received the goods or services related to the transaction. In the current year, the district switched to a health insurance carrier whose policy requires the district to prepay for one month of services which resulted in the addition of the prepaid expenses.

Capital Assets—Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 for governmental capital assets and \$500 for school nutrition capital assets.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and Structures	20 – 50
Vehicles, Furniture, and Equipment	5 - 20

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the budget.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2009.

Custodial Credit Risk—The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk—This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

Discretely Presented Component Unit—

At June 30, 2009 the LCSD Foundation had the following investments:

	Credit Risk	Fair Value
Mutual Fund—Rydex Investments	Not Rated	\$ 22,017
		<hr/>
	Credit Risk	Policy Cash Value
New York Life Insurance Policy	Not Rated	\$ 6,733
		<hr/>

NOTE 3 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$804,981 for the year ended June 30, 2009, and is recorded in the General Fund.

NOTE 4 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	PPEL	\$ 572,290
School Nutrition Fund	Student Activity	30,273
General	Student Activity	28,769
Total		<hr/> \$ 631,332 <hr/>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 5 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund balances for the year ended June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	School Nutrition Fund	\$ 30,203

The purpose of this interfund balance is to finance the short-term cash flow shortage in the school nutrition fund.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,275	\$ -	\$ -	\$ 393,275
Construction in Progress	3,067,928	1,119,580	818,527	3,368,981
Total capital assets not being depreciated	3,461,203	1,119,580	818,527	3,762,256
Capital assets being depreciated:				
Buildings	12,686,183	818,527		13,504,710
Vehicles	1,515,361	74,321	46,146	1,543,536
Furniture and equipment	3,100,476	76,399	29,179	3,147,696
Total Capital assets being depreciated	17,302,020	969,247	75,325	18,195,942
Less: Accumulated Depreciation for:				
Buildings	5,560,418	294,741		5,855,159
Vehicles	1,120,902	100,041	46,146	1,174,797
Furniture and equipment	2,325,670	159,563	27,106	2,458,127
Total Accumulated Depreciation	9,006,990	554,345	73,252	9,488,083
Total capital assets being depreciated, net	8,295,030	414,902	2,073	8,707,859
Governmental activities capital assets, net	\$ 11,756,233	\$ 1,534,482	\$ 820,600	\$ 12,470,115

Construction in progress at June 30, 2009, for the governmental activities consisted of costs associated with the high school and middle school expansion projects, Franklin and high school roof projects, and the high school gym doors.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Business-type Activities:				
Furniture and equipment	\$ 65,958	\$ -	\$ 2,840	\$ 63,118
Less: Accumulated Depreciation	35,575	2,489	1,704	36,360
Business-type activities capital assets, net	<u>\$ 30,383</u>	<u>\$ (2,489)</u>	<u>\$ 1,136</u>	<u>\$ 26,758</u>

Depreciation Expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 407,202
Instructional Staff Services	12,891
Operation and Maintenance	34,211
Transportation Services	<u>100,041</u>

Total depreciation expense—governmental activities \$ 554,345

Business-type activities:
Food Service Operations \$ 2,489

	Governmental Activities	Business-type Activities
Land	\$ 393,275	\$ -
Construction in Progress	3,368,981	-
Capital Assets (net of accumulated depreciation)	8,707,859	26,758
Less: Bonds Payable	<u>1,620,000</u>	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 10,850,115</u>	<u>\$ 26,758</u>

NOTE 7 – RETIREMENT SYSTEM

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90 and 3.70% of their annual salary and the District was required to contribute 6.05% and 5.75% of annual covered payroll for the years ended June 30, 2008 and 2007 respectively. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$721,680, \$776,282, and \$648,847, respectively, equal to the required contributions for each year.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

During fiscal 2009, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded at June 30, 2009 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 352,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	352,000
Contributions made	<u>(161,000)</u>
Increase in net OPEB obligation	191,000
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 191,000</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 352,000	45.74%	\$ 191,000

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2008 was as follows:

Actuarial accrued liability (AAL)	\$ 3,918,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,918,000</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	\$ 11,414,965
UAAL as a percentage of covered payroll	34.32%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% interest discount rate and an annual medical healthcare cost trend rate of 11% select trend and a 5% ultimate trend. The select trend is reduced 0.5% each year until reaching the 5% ultimate trend rate. Assumptions include a 3.5% growth in payroll per annum. The participation assumed is 30% for non-Certified employees and 100% for all other employees. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 9 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2009 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Capital Loan Notes	\$ 2,110,000	\$ -	\$ 490,000	\$ 1,620,000	\$ 515,000
Net OPEB Liability	-	191,000	-	191,000	-
Total	\$ 2,110,000	\$ 191,000	\$ 490,000	\$ 1,811,000	\$ 515,000

General Obligation Bonds

The District issued general obligation capital loan notes to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2009 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amounts</u>
Governmental Activities – 2007 Capital Loan Notes	3.90%	\$ 1,620,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 515,000	\$ 63,180
2011	530,000	43,095
2012	575,000	22,425
Total	\$ 1,620,000	\$ 128,700

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – CONSTRUCTION COMMITMENTS

The District has entered into various contracts totaling \$3,481,715 for a new roof, additional classrooms, and gym doors. As of June 30, 2009, costs of \$2,666,241 had been incurred against the contracts. The balance of \$815,474 will be paid as work on the projects progress.

REQUIRED SUPPLEMENTARY INFORMATION

LE MARS COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Final	Funds	Fund	Actual	Actual
			Actual	Actual		Variance
REVENUE:						
Local Sources:						
Local Tax	\$ 6,147,250	\$ 6,147,250	\$ 7,509,783	\$ -	\$ 7,509,783	\$ 1,362,533
Tuition	336,000	336,000	364,507	-	364,507	28,507
Other	2,489,950	2,489,950	960,246	369,497	1,329,743	(1,160,207)
Intermediate Sources	4,900	4,900	-	-	-	(4,900)
State Sources	10,913,205	10,913,205	10,830,511	9,717	10,840,228	(72,977)
Federal Sources	692,391	692,391	758,845	298,479	1,057,324	364,933
Total Revenue	20,583,696	20,583,696	20,423,892	677,693	21,101,585	517,889
EXPENDITURES:						
Current:						
Instruction	12,595,577	12,906,577	12,805,447	-	12,805,447	101,130
Support Services	4,807,374	4,807,374	4,663,468	-	4,663,468	143,906
Non-instructional Programs	717,000	745,000	-	710,058	710,058	34,942
Other Expenditures	2,785,974	3,361,009	2,763,000	-	2,763,000	598,009
Total Expenditures	20,905,925	21,819,960	20,231,915	710,058	20,941,973	877,987
Excess (Deficiency) of Revenues Over Expenditures	(322,229)	(1,236,264)	191,977	(32,365)	159,612	1,395,876
Other Financing Sources (Uses):						
Transfers In	572,290	572,290	601,059	30,273	631,332	59,042
Transfers Out	(572,290)	(572,290)	(631,332)	-	(631,332)	(59,042)
Total Other Financing Sources (Uses)	-	-	(30,273)	30,273	-	-
Net Change in Fund Balances	(322,229)	(1,236,264)	161,704	(2,092)	159,612	1,395,876
Fund Balances - Beginning of Year	3,643,350	3,643,350	3,641,160	2,190	3,643,350	-
Fund Balances - End of Year	\$ 3,321,121	\$ 2,407,086	\$ 3,802,864	\$ 98	\$ 3,802,962	\$ 1,395,876

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental funds with expenses of proprietary funds on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2009, the District had one budget amendment increasing budgeted disbursements by \$914,035.

During the year ended June 30, 2009, expenditures did not exceed the budget.

OTHER SUPPLEMENTARY INFORMATION

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 5,167,071
Mobile Home Tax	12,025
	<u>5,179,096</u>

Other Local Sources:

Interest on Investments	42,628
Tuition from Other Districts	301,625
Tuition from Individuals	62,882
Transportation Fees	8,963
Rent	67,625
Miscellaneous	120,020
	<u>603,743</u>
	<u>5,782,839</u>

State Sources:

State Foundation Aid	8,574,713
Foster Care State Aid	14,423
Beginning Teacher Mentoring Program	1,300
Administrator Mentoring Program	1,500
Educational Excellence Program:	
Phase I	22,707
Phase II	175,628
Non-Public Transportation Aid	106,143
Non-Public Textbook and Technology Aid	8,180
Teacher Compensation	987,091
Vocational Education Aid	21,995
Iowa Early Intervention Block Grant	111,850
AEA Flow-Through	804,981
	<u>10,830,511</u>

Federal Sources:

Title I Grants to Local Educational Agencies	199,713
Improving Teacher Quality State Grants	68,883
Safe and Drug-Free Schools and Communities-States Grants	6,406
Education Stabilization - ARRA Funds	174,934
Vocational Education - Basic Grants to States	17,763
Special Education Pass-Through - IDEA Grant	123,907
Special Education Pass-Through - IDEA Grant - ARRA Funds	68,942
Improvement of Education Grants	5,024
Title VI Grants for Assessments and Related Activities	13,962
Medicaid	79,311
	<u>758,845</u>

Total Revenue

\$ 17,372,195

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1 (Continued)

Expenditures:

Instruction:

Regular Instruction:

Salaries	\$ 6,883,667
Benefits	2,141,982
Services	390,975
Supplies	123,122
Property	12,480
	<u>9,552,226</u>

Special Education Instruction:

Salaries	1,450,107
Benefits	444,639
Services	164,203
Supplies	9,811
Property	15,922
	<u>2,084,682</u>

Vocational Instruction:

Supplies	15,156
Property	2,595
	<u>17,751</u>

Co-curricular Instruction:

Salaries	287,596
Benefits	72,633
Services	7,782
Supplies	852
	<u>368,863</u>

Nonpublic Instruction:

Supplies	11,589
	<u>11,589</u>

Adult Continuing Education

Salaries	2,217
Benefits	671
Supplies	1,665
	<u>4,553</u>

Total Instruction

12,039,664

Support Services:

Student Services:

Guidance Services:

Salaries	294,115
Benefits	89,066
Services	6,406
Supplies	4,097
	<u>\$ 393,684</u>

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Health Services:

Salaries	\$ 55,685
Benefits	26,784
Services	1,592
Supplies	5,375
	<u>89,436</u>

Total Student Services

483,120

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Salaries	231,927
Benefits	49,181
Services	2,445
Supplies	12,231
	<u>295,784</u>

Educational Media Services:

Salaries	185,756
Benefits	45,893
Services	842
Supplies	27,582
	<u>260,073</u>

Other Instructional Staff Support Services:

Salaries	112,367
Benefits	34,750
Services	22,280
Supplies	44,537
Property	5,182
	<u>219,116</u>

Total Instructional Staff Services

774,973

Support Services:

Administration Services:

Executive Administration:

Salaries	231,431
Benefits	88,735
Services	41,667
Supplies	7,530
Property	1,486
	<u>\$ 370,849</u>

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule 1 (Continued)

Support Services (Continued):

Administration Services (Continued):

School Administration:

Salaries	\$ 700,791
Benefits	283,703
Services	7,676
Supplies	3,615
Property	1,268
	<u>997,053</u>

Business Administration:

Salaries	28,673
Benefits	13,964
Supplies	27,675
Property	181
	<u>70,493</u>

Board of Education:

Services	41,621
Supplies	11,447
	<u>53,068</u>

Total Administration Services:

1,491,463

Support Services:

Plant Operation and Maintenance:

Salaries	568,384
Benefits	192,952
Services	58,651
Supplies	356,198
Property	2,726
	<u>1,178,911</u>

Support Services:

Student Transportation:

Salaries	418,012
Benefits	82,925
Services	41,606
Supplies	133,826
	<u>676,369</u>

Total Support Services

\$ 4,604,836

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 1 (Continued)

Other Expenditures:	
AEA Flow-Through	\$ 804,981
Total Expenditures	17,449,481
(Deficiency) of Revenues Over Expenditures	(77,286)
Other Financing Uses:	
Transfers From Other Funds	28,769
(Deficiency) of Revenues Over Expenditures and Other Financing Uses	(48,517)
Fund Balance - Beginning of Year	1,123,037
Fund Balance - End of Year	\$ 1,074,520

LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

					Schedule 2
	Balance June 30, 2008	Revenues	Expenditures	Operating/ Intrafund Transfers	Balance June 30, 2009
Senior High					
Bark	\$ 14,216	\$ 15,420	\$ 13,209	\$ -	\$ 16,427
F.F.A.	5,104	36,243	25,024	-	16,323
Miscellaneous Music	1,569	16,448	15,951	-	2,066
F.C.A.	431	952	938	-	445
Library	2,352	775	1,464	-	1,663
Vocal Music	7,166	32,318	21,867	-	17,617
Instrumental Music	289	12,676	12,167	-	798
Music Orchestra	2,674	37,256	38,450	-	1,480
National Honor Society	-	179	179	-	-
Dance Team	6,379	4,638	5,569	-	5,448
Student Council	5,474	63,931	61,159	-	8,246
Thespians	143	2,112	1,181	-	1,074
Spanish Club	4,423	1,945	2,181	-	4,187
Drama	5,950	2,243	1,440	-	6,753
Trades and Industries	9,601	6,176	3,789	-	11,988
Miscellaneous Athletics	12,546	126,458	118,917	75	20,162
Clearing	2,440	29,184	19,201	(8,269)	4,154
Cheerleaders	1,367	17,106	13,765	-	4,708
Senior Class	1,297	4,688	4,470	-	1,515
Junior Class	116	4,105	4,221	-	-
Sophomore Class	-	43	43	-	-
Miscellaneous	52,272	23,683	854	-	75,101
Technology Club	98	531	616	-	13
Home Economics Club	752	-	-	-	752
Math Club	683	483	752	-	414
Science Club	8	5,311	4,930	-	389
Basketball Scoreboard Club	44,833	2,181	43,358	-	3,656
Adaptive PE	52	-	-	-	52
Make-A-Wish Club	1,831	1,410	268	-	2,973
Madrigal Club	43	-	-	-	43
	<u>\$ 184,109</u>	<u>\$ 448,495</u>	<u>\$ 415,963</u>	<u>\$ (8,194)</u>	<u>\$ 208,447</u>

(Continued)

LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

					Schedule 2 (Continued)	
	Balance June 30, 2008	Revenues	Expenditures	Operating/ Intrafund Transfers	Balance June 30, 2009	
Middle School						
Book Rent	\$ -	\$ 2,927	\$ -	\$ (2,927)	\$ -	
Miscellaneous	8,923	1,237	3,582	-	6,578	
Student Council	17,142	10,352	17,797	-	9,697	
Library	726	5,740	5,498	-	968	
Clearing	-	2,697	2,635	-	62	
High School Principal	-	1,614	1,614	-	-	
Music	764	8,343	5,557	-	3,550	
Musical	2,235	-	-	-	2,235	
Industrial Arts	-	3,546	-	(3,546)	-	
Instrument Rental	3,029	890	-	-	3,919	
Challenge	107	-	-	-	107	
Family & Consumer Science	278	6,644	6,808	-	114	
Other	808	104	30	-	882	
Bowling	-	5,704	5,704	-	-	
Bus	-	2,435	-	(2,435)	-	
Art	1,622	110	1,231	-	501	
	<u>35,634</u>	<u>52,343</u>	<u>50,456</u>	<u>(8,908)</u>	<u>28,613</u>	
Merrill Elementary School	<u>305</u>	<u>19,173</u>	<u>-</u>	<u>(19,283)</u>	<u>195</u>	
Central Elementary School	<u>41,265</u>	<u>114,882</u>	<u>104,530</u>	<u>(22,657)</u>	<u>28,960</u>	
Total for Activity Funds	<u>\$ 261,313</u>	<u>\$ 634,893</u>	<u>\$ 570,949</u>	<u>\$ (59,042)</u>	<u>\$ 266,215</u>	

LEMARS COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
 AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2009

				Schedule 3
	Balance			Balance
	July 1, 2008	Additions	Deductions	June 30, 2009
<u>FLEX</u>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 9,826	\$ 127,287	\$ 127,952	\$ 9,161
Total Assets	9,826	127,287	127,952	9,161
<u>Liabilities</u>				
Other Payables	9,826	127,287	127,952	9,161
Total Liabilities	\$ 9,826	\$ 127,287	\$ 127,952	\$ 9,161

LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003

	Modified Accrual Basis of Accounting			
	2009	2008	2007	2006
Revenues:				
Local Sources:				
Local Tax	\$ 7,509,783	\$ 7,319,695	\$ 6,879,567	\$ 6,604,110
Tuition	364,507	291,281	348,482	370,821
Other	960,246	1,076,052	1,098,699	1,048,247
Intermediate Sources	-	-	-	34,263
State Sources	10,830,511	10,778,651	10,150,311	9,570,986
Federal Sources	758,845	502,542	480,901	485,875
Total	20,423,892	19,968,221	18,957,960	18,114,302
Expenditures:				
Instruction:				
Regular	9,747,060	9,612,172	8,964,243	8,321,990
Special	2,084,682	2,139,082	2,030,077	1,806,407
Other	973,705	895,369	948,924	360,416
Support Services:				
Student	483,120	608,896	590,864	1,186,511
Instructional Staff	774,973	831,430	773,251	843,276
Administration	1,491,463	1,563,202	1,499,834	1,505,878
Operation and maintenance of plant	1,227,116	1,199,054	1,137,232	1,142,788
Transportation	686,796	696,615	640,820	651,374
Non-instructional programs	-	-	-	143,645
Other Expenditures:				
Facilities Acquisition	1,385,729	4,082,584	895,540	972,783
Long-term debt:				
Principal	490,000	90,000	290,000	400,000
Interest and other charges	82,290	53,864	13,486	30,686
AEA Flowthrough	804,981	785,738	749,734	685,660
Total	\$ 20,231,915	\$ 22,558,006	\$ 18,534,005	\$ 18,051,414

Schedule 4

Modified Accrual Basis of Accounting

2005	2004	2003
\$ 6,628,157	\$ 5,878,035	\$ 5,604,694
329,692	303,384	314,257
914,625	867,964	1,086,775
9,705	-	-
9,156,434	8,531,215	8,464,480
447,639	405,558	374,586
17,486,252	15,986,156	15,844,792
7,930,904	7,941,756	7,332,540
1,677,212	1,695,325	1,701,909
362,484	476,896	391,762
1,124,852	1,031,719	1,110,276
537,380	480,195	513,008
1,467,137	1,365,529	1,322,729
1,076,236	1,093,933	1,060,411
588,434	557,706	601,884
74,133	123,537	96,395
434,504	-	265,514
785,000	755,000	660,000
64,700	95,958	169,274
662,771	657,856	688,078
\$16,785,747	\$16,275,410	\$ 15,913,780

**LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

			Schedule 5
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	\$ 40,050
National School Lunch Program	10.555	FY09	258,429
			<u>298,479</u> *
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY09	199,713 *
Vocational Education - Basic Grants to States	84.048	FY09	17,763
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY09	6,406
Improving Teacher Quality State Grants	84.367	FY09	68,883
Grants for State Assessments & Related Activities	84.369	FY09	13,962
State Fiscal Stabilization Funds - ARRA Funds	84.394	FY09	174,934
Northwest Area Education Agency			
Special Education - Grants to States	84.027	FY 09	123,907
English Language Acquisition	84.365	FY 09	5,024
Special Education - Grants to States - ARRA Funds	84.391	FY 09	<u>68,942</u>
Total			<u>\$ 978,013</u>

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Le Mars Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Schedule 6

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding, which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Schedule 6 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-09 Financial Accounting – Segregation of Duties

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-09 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Schedule 6 (Continued)

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

III-A-09 Financial Accounting – Segregation of Duties

Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting:

- | | |
|---------|--|
| IV-A-09 | <u>Certified Budget</u> – Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted. |
| IV-B-09 | <u>Questionable Expenditures</u> – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted. |
| IV-C-09 | <u>Travel Expense</u> – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. |
| IV-D-09 | <u>Business Transactions</u> – No business transactions between the District and District officials or employees were noted. |
| IV-E-09 | <u>Bond Coverage</u> – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. |
| IV-F-09 | <u>Board Minutes</u> – No transactions requiring Board approval which had not been approved by the Board were noted. |
| IV-G-09 | <u>Certified Enrollment</u> – No variances in the basic enrollment data certified to the Department of Education were noted. |
| IV-H-09 | <u>Deposits and Investments</u> – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted. |
| IV-I-09 | <u>Certified Annual Report</u> – The Certified Annual Report was certified timely to the Department of Education. |
| IV-J-09 | <u>Categorical funding</u> – No instances were noted of categorical funding being used to supplant rather than supplement other funds. |

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting:

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$ -
Statewide sales and services tax revenue	1,370,944
Expenditures/transfers out:	
School Infrastructure:	
Buildings	\$1,300,088
Ending Balance	<u>\$ 70,856</u>

IV-L-09 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The Book Rent, Library, and Family and Consumer Science, Instrument Rental, HS principal, Bus, and Art accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation – The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

Response – We will review the activity in the accounts and will reclassify to the General Fund if considered necessary.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

Schedule 6 (Continued)

Part V: Findings – Year Ended June 30, 2008

III-A-08

Financial Accounting – Segregation of Duties

Condition: The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation: With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Current Status: This finding still exists at June 30, 2009 (See Comment III-A-09).



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Le Mars Community School District

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2009, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated October 20, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Le Mars Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Le Mars Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Le Mars Community School District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control as described in the accompanying schedule of findings and questioned costs as items II-A-09 and II-B-09 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Le Mars Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The Le Mars Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Le Mars Community School District's responses and, accordingly, we express no opinion on them.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Le Mars Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom the Le Mars Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Le Mars Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
October 20, 2009



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
Le Mars Community School District:

Compliance:

We have audited the compliance of LE MARS COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Le Mars Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Le Mars Community School District's management. Our responsibility is to express an opinion on Le Mars Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Le Mars Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Le Mars Community School District's compliance with those requirements.

In our opinion, Le Mars Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance:

The management of the Le Mars Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Le Mars Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we

identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-09 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider item III-A-09 to be a material weakness.

LeMars Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit LeMars Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom Le Mars Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

Williams + Company, P.C.
Certified Public Accountants

Le Mars, Iowa
October 20, 2009

LeMars Community Schools

Dr. Todd A. Wendt
Superintendent

Dr. Carl Turner
Assistant Superintendent

940 Lincoln Street Southwest, LeMars, Iowa 51031-2299
Phone: (712) 546-4155 Fax: (712) 546-5934

Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2009

Department of Education:

Le Mars Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2009.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2009.

The finding from the June 30, 2009 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

SIGNIFICANT DEFICIENCY:

III-A-09 – Financial Accounting – Segregation of Duties – National School Lunch Program CFDA #10.553 and 10.555 – Title 1 Grants to Local Educational Agencies CFDA #84.010

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Todd Wendt at 712-546-4155.

Sincerely yours,

LE MARS COMMUNITY SCHOOL DISTRICT



Dr. Todd Wendt, Superintendent

The Mission of the LeMars Community Schools is to guide every student in achieving the highest quality education by teaching the basic skills, developing character, and promoting life-long learning, all through an aggressive partnership with the students, families, school, and community.